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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

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**PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS**

ECONOMIC INTELLIGENCE COMMITTEE



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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

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Summary of Events
27 September - 10 October 1957

The import of cotton has afforded a favorable avenue for the expansion of Sino-Soviet Bloc activities in the underdeveloped economies of non-Communist cotton-exporting countries. The Bloc's expansion of these activities has been facilitated by its ability to absorb increased imports of cotton; by the general fear on the part of the underdeveloped countries that they might not be able to dispose of all their exportable cotton to non-Bloc buyers; and, in addition -- with respect to Egypt and Syria -- by the particular government's desire to obtain military equipment. Beginning with the 1955-56 marketing season the Bloc has increased substantially the total volume of its cotton imports and extended its cotton-buying operations to additional underdeveloped countries.

Recent economic activities of the Sino-Soviet Bloc in South Asia include the signing of a new trade agreement between Czechoslovakia and India and a Soviet proposal to the Afghan government to exploit petroleum reserves in northern Afghanistan.

In the Middle East, Egyptian petroleum authorities have recently required the US firm, Esso, to accept petroleum from the USSR up to the limits of its unused bunker storage at Port Said, and in addition the Egyptian authorities have offered to sell to Esso for bunkering purposes the Soviet oil now held in its tanks. Other economic activities of the Sino-Soviet Bloc in the Middle East include (1) continued discussions between Syrian authorities and the members of the Soviet technical delegations on such subjects as irrigation and power, minerals and petroleum, and transportation and (2) the conclusion of a \$1.9-million trade agreement between Czechoslovakia and Tunisia featuring the establishment of a multilateral clearing account.

In Latin America a commercial treaty, a trade agreement, and a payments agreement which were signed with Czechoslovakia in 1955 were approved by the Uruguayan Senate in June 1957 and by the Chamber of Deputies in September 1957. The most notable feature of the

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payments agreement is a provision whereby, upon agreement between the respective banks, current balances may be used for payments to third countries.

A Yugoslav delegation will reportedly arrive in Prague this month to discuss utilization of the \$50-million investment credit extended by Czechoslovakia to Yugoslavia in February 1956. Only about \$5 million of this credit has been drawn upon, and the \$25-million credit extended by Czechoslovakia for the purchase of consumer goods is reportedly still untouched.

The Bank of China, which operates an elaborate commercial intelligence system throughout Southeast Asia, is an effective instrument of Chinese Communist subversion. Its assets are used to finance pro-Communist political groups, front organizations, publications, and schools. Low-interest loans are extended to those who favor Communist causes or are willing to follow the Communist line, and defaulted loans are used as a means of political blackmail. The Burmese government has taken action which will handicap these activities by imposing new requirements that will hamper the operations of the two Chinese Communist banks in Burma.

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